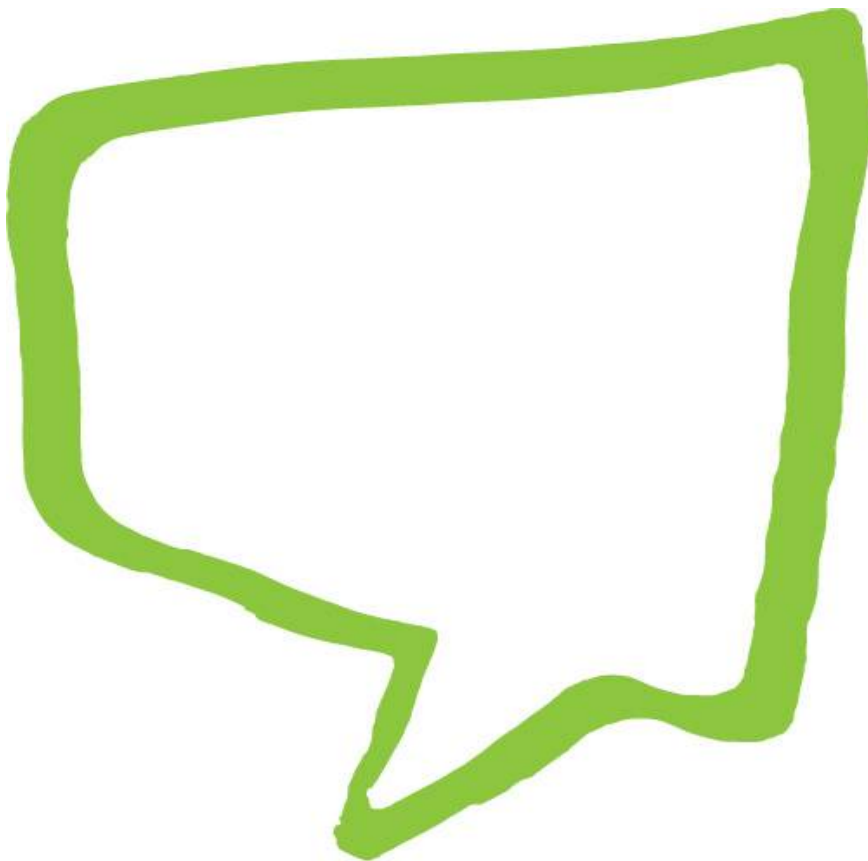


Certification of claims and returns - annual report

Bromsgrove District Council

Audit 2008/09

February 2010



Contents

Key messages	3
Background	5
Findings	7
Appendix 1 – Summary of 2008/09 certified claims	10
Appendix 2 – Action plan	11

Status of our reports

The Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission explains the respective responsibilities of auditors and of the audited body. Reports prepared by appointed auditors are addressed to non-executive directors/members or officers. They are prepared for the sole use of the audited body. Auditors accept no responsibility to:

- any director/member or officer in their individual capacity; or
 - any third party.
-

Key messages

Funding from government grant-paying departments is an important income stream for the Council. The arrangements for claiming this income should be considered carefully so that the Council can demonstrate to the Council's appointed auditor that it has met the conditions which attach to these grants.

This report summarises the findings from the certification of 2008/09 claims. The messages arising from my assessment of your arrangements for preparing claims and returns are included together with the findings from the review of the claims in particular whether they were amended or qualified.

Certification of claims and returns

- 1 Bromsgrove District Council receives more than £14.5 million funding from various grant-paying Central Government departments. These grant paying departments attach conditions to the grants and the Council must show that it has met these conditions. If the Council cannot evidence this, the funding can be at risk.
- 2 The Council also collects more than £22.7 million on behalf of Central Government for National Non Domestic Rates (NNDR). The Council has to show that it has met the conditions attached to the receipt of NNDR from businesses.
- 3 It is therefore important that the Council manages certification work properly and can demonstrate to its auditor that the relevant conditions have been met.
- 4 In 2008/09, my audit team certified 3 claims and returns with a total value of £37.2 million in accordance with their prescribed submission timetables.
- 5 A summary of the results of the certification work is shown in Appendix 1.

Significant findings

- 6 The level of review required on a claim is determined by its value. Full reviews are required to be undertaken for claims and returns greater than £500K and these were carried out on 2 claims and returns. A limited review is required to be undertaken on claims and returns with a value between £100K and £500K and was undertaken on one claim.
- 7 The full review of the Housing and Council Tax Benefits Claim for £14.5 million identified amendments which were not agreed by the Head of Financial Services and were therefore not adjusted for. I was therefore unable to certify this claim and issued a qualification letter to the grant-paying body, the Department for Work and Pensions.
- 8 The full review of the National Non Domestic Claim for £22.7 million identified amendments which were agreed and adjusted for by your Head of Financial Services. As a result of the audit the amount payable by the Council to the Communities and Local Government department was reduced by £156K.

- 9 A limited review was undertaken on the Disabled Facilities Grant claim for £310K which did not identify any amendments. This claim was certified and there are no issues of significance on this claim which need to be reported to you.

Certification fees

- 10 The fees charged for grant certification work in 2008/09 for the three claims was £25,753. This compares with the charges in 2007/08 for these three claims of £34,102, a reduction in fees of £8,349 (24.5 per cent).

Actions

- 11 Appendix 2 summarises my recommendations which have been agreed with the Head of Financial Services.

Background

- 12 Government departments, agencies and the European Commission as grant-paying bodies pay billions of pounds in grants and subsidies each year to local authorities. The government's latest financial statistics, published in May 2008 reveal that annual revenue and capital grants, and redistributed business rates, totalled £88 billion in the financial year ended 31 March 2007.
- 13 Grant-paying bodies often require certification, by an appropriately qualified auditor, of the claims and returns submitted to them. The Audit Commission is required by law to make certification arrangements when requested to do so. Certification work is not an audit but a different kind of assurance engagement. This involves applying prescribed tests, which are designed to give reasonable assurance that claims and returns are fairly stated and in accordance with specified terms and conditions.
- 14 In line with the strategy to minimise the cost of audit and inspection work the Audit Commission issued a report, Review of Arrangements for Certifying Claims and Return in September 2009. This encourages authorities to improve standards of claims and returns preparation and includes a number of recommendations for grant paying bodies, local authorities and auditors.
- 15 The results of the certification work at local authorities are used as evidence in the use of resources assessment, the value for money conclusion and the audit opinion on your financial statements. Where there is a consistent record of errors, adjustments and qualifications I will consider the need to carry out focused risk-based work.
- 16 The Council claims £14.5 million for specific activities from grant paying central government departments. As this is significant to the Councils' income it is important that this process is properly managed. In particular this means:
 - an adequate control environment over each claim and return; and
 - ensuring that the Council can evidence that it has met the conditions attached to each claim.
- 17 I am required by Section 28 of the Audit Commission Act 1998 to certify some claims and returns for grants or subsidies paid by the government departments and public bodies to Bromsgrove District Council. I charge a fee to cover the full cost of certifying claims. The fee depends on the amount of work required to certify each claim or return.
- 18 The Council is responsible for compiling grant claims and returns in accordance with the requirements and timescale set by the grant paying departments.
- 19 Claims for Housing and Council Tax Benefit are audited in line with specific methodology agreed with the Department for Work and Pensions (DWP).

- 20 The key features of the current arrangements for reviews of all other claims and returns are as follows.
- For claims and returns below £100,000 the Commission does not make certification arrangements.
 - For claims and returns between £100,000 and £500,000, auditors undertake limited tests to agree the entries to underlying records, but do not undertake any testing of eligibility of expenditure.
 - For claims and returns over £500,000 auditors undertake a review of the control environment and detailed tests. Where the control environment is assessed as strong the level of detailed work is reduced.

Findings

Specific claim – Housing and Council Tax Benefit

- 21 The value of the Council's Housing and Council Tax Benefit 2008/09 claim to the DWP was £14.2 million.
- 22 The audit identified several minor discrepancies of low value in the preparation of the claim produced by the Housing and Council Tax Benefit computer system. These were discussed with the Head of Financial Services who confirmed them as discrepancies. However the Head of Financial Services declined to make any adjustments to the claim for these items. In accordance with the certifying requirements full details of these items were provided to the DWP in the submitted qualification letter.
- 23 The certification work follows methodology agreed with the DWP. This requires testing of samples of new claims and notifications of change in circumstances for each of Housing Benefit and Council Tax Benefit. If errors are identified in this sample further testing is undertaken targeting those errors in a further sample of 40.
- 24 The results of this testing have been discussed and agreed with your officers and were as follows.
 - Housing Benefit – 40 cases tested and 5 errors were identified. A further sample of 40 was tested in which 3 errors were identified.
 - Council Tax Benefit – 40 cases tested and 2 errors were identified. A further sample of 40 was tested and a further 2 errors were identified.
- 25 The errors identified in these cases affected 13 cells on the benefit claim and ranged in value from an under claim of £311 to an over claim of £92.
- 26 The date of receipt of claims and associated documentation is a key requirement in determining the start dates for claims for Housing and Council Tax Benefit. From our work we identified that the Council do not date stamp the receipt of documents at the main Council's offices in Burcot Lane, Bromsgrove as routine and would only date stamp documentation if the paperwork was not able to be scanned into the document management system the same day. Benefit documentation received at the Council's customer service centre located at the Dolphin Centre is date stamped.
- 27 Independent reviews by management or by Internal Audit of the receipt of documentation have not been undertaken to ensure procedures are adhered to and the system is working as expected.
- 28 Without a date stamp of receipt on the documentation actual evidence is not available to verify the date of receipt of the documentation other than dates generated by the document management system. This issue has been discussed at length with your officers and remains unchanged from that reported in the qualification letter for the Housing and Council Tax Benefit 2007/08 claim. In the sample of cases tested no discrepancies were identified between the date of scanning shown by the document management system and the date stamp.

- 29 The qualification letter to the DWP was submitted in accordance with the prescribed timetable.
- 30 The fee charged for this certification was £17,426 (2007/08 £29,918). This is a reduction in fees of £12,492 (41.7 per cent). This reduction is as a result of the initial and follow-up testing being undertaken by your officers. Based on this work I have been able to satisfy myself through sample reperformance that the standard is adequate and reliance can be placed upon it.

Recommendation

- R1** A program of testing of the postal arrangements for Benefits claims is introduced to ensure compliance with procedures.

Specific claim – National Non Domestic Rates

- 31 The original value of the National Non Domestic Rates return for 2008/09 was £22.7 million. Adjustments were identified and agreed by your Head of Financial Services to be made to this return which resulted in the amount payable by the Council being reduced by £156K.
- 32 The reduction in the amount payable by the Council comprised various minor amounts together with the following adjustment:
- Correction for the error made in the calculation of the bad debt provision of £163K identified during the course of the audit of the 2008/09 financial statements. This adjustment was reported in the 2008/09 Annual Governance Report presented to your Audit Committee on the 29 September 2009.
- 33 Other adjustments were agreed to be made to the claim which did not affect the amount payable as follows.
- To correct the entry of an amount of £451K which had been included in line 12 on the claim. This had arisen by amounts being incorrectly treated as positive and negative amounts in other cells on the claim. This adjustment was reported in the 2008/09 Annual Governance Report presented to your Audit Committee on the 29 September 2009. A recommendation on this was included within this report as agreed with your Head of Financial Services.
 - To correct the entry of £1.182 million in line 14. of the Estimated gross arrears of all non domestic rates as at 31 March 2009. The value included had been that arising from the NNDR debts raised in the 2008/09 year rather than the required cumulative balance as at 31 March 2009 of £2.535 million.
- 34 The adjusted claim was submitted in accordance with the prescribed timetable.
- 35 The fee charged for this certification was £6,885 (2007/08 £2,694). The increase in fee is as a result of the additional work undertaken as a result of the amendments identified to the claim.

Findings

Recommendation
R2 The National Non Domestic Rates return is completed in accordance with instructions and subjected to a peer review prior to certification.

Specific claim – Disabled Facilities Grant

- 36** A limited review was undertaken on the Disabled Facilities Grant claim for £310K which did not identify any amendments. This claim was certified and there are no issues of significance on this claim which need to be reported to you. The fee charged for this certification was £1,442 (2007/08 £1,490).

Appendix 1 – Summary of 2008/09 certified claims

Claims and returns above £500,000

Claim	Value £	Was the claim amended?	Was a Qualification Letter issued?
Housing and council tax benefit	£14,219,691	No	Yes
National Non Domestic Rates (NNDR)	£22,811,611	Yes	No

Claims between £100,000 and £500,000

Claim	Value £	Was the claim amended?	Was a Qualification Letter issued?
Disabled Facilities Grant	£310,000	No	No

Appendix 2 – Action plan

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
Annual Claims and Returns Report 2008/09 - Recommendations						
8	R1 A program of testing of postal arrangements is introduced to ensure compliance with procedures.	3	Head of Financial Services	Agreed	A regular sample testing will be implemented in the post room to ensure that post is date stamped and dealt with in accordance with the policy.	1 April 2010
9	R2 The National Non Domestic Rate return is completed in accordance with instructions and subjected to a peer review prior to certification.	3	Head of Financial Services	Agreed	NDR return to be completed in compliance with instruction and reviewed by Head of Resources prior to submission.	

The Audit Commission

The Audit Commission is an independent watchdog, driving economy, efficiency and effectiveness in local public services to deliver better outcomes for everyone.

Our work across local government, health, housing, community safety and fire and rescue services means that we have a unique perspective. We promote value for money for taxpayers, auditing the £200 billion spent by 11,000 local public bodies.

As a force for improvement, we work in partnership to assess local public services and make practical recommendations for promoting a better quality of life for local people.

Copies of this report

If you require further copies of this report, or a copy in large print, in Braille, on tape, or in a language other than English, please call 0844 798 7070.

© Audit Commission 2010

For further information on the work of the Commission please contact:

Audit Commission, 1st Floor, Millbank Tower, Millbank, London SW1P 4HQ

Tel: 0844 798 1212 Fax: 0844 798 2945 Textphone (minicom): 0844 798 2946

www.audit-commission.gov.uk
